

October 2, 1996

D.P.U. 96-3C

Application of Commonwealth Electric Company, under the provisions of G.L. c. 164, § 94G, as amended by St. 1981, c. 375, and the Company's tariff, M.D.P.U. No. 283, for approval by the Department of Public Utilities of a change in the quarterly Fuel Charge to be billed to the Company's customers pursuant to meter readings in the billing months of October, November and December 1996.

Application also is made by Commonwealth Electric Company for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. § 8.00 and M.D.P.U. No. 251. The rules established in 220 C.M.R. § 8.00 set forth the filings to be made by utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

Application also is made under the provisions of G.L. c. 164, § 94G, as amended, for approval by the Department of the actual unit by unit and system performance of the Company with respect to each target set forth in the Company's approved performance program for the performance year 1995-1996.

APPEARANCES: Eric J. Krathwohl, Esq.
Rich, May, Bilodeau & Flaherty
294 Washington Street
Boston, Massachusetts 02108
FOR: COMMONWEALTH ELECTRIC COMPANY
Petitioner

L. Scott Harshbarger, Attorney General
BY: Jerry J.J. Hsu
Special Assistant Attorney General
Regulated Industries Division
Public Protection Bureau
200 Portland Street
Boston, Massachusetts 02114
Intervenor

I. INTRODUCTION

On September 5, 1996, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Commonwealth Electric Company ("Commonwealth" or "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file a quarterly change to its fuel charge in conformance with its Fuel Charge rate schedule, M.D.P.U. 283, and to its Qualifying Facility ("QF") power purchase rates in conformance with its Power Purchase rate schedule, M.D.P.U. 251. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing months of October, November and December 1996. In addition, the Company seeks approval of the Company's generating unit and system performance with respect to the Company's performance programs for the performance year 1995 through 1996.

Commonwealth, a wholly owned subsidiary of Commonwealth Energy System ("ComEnergy") serves approximately 258,000 retail customers in 38 cities and towns in southeastern Massachusetts, on Cape Cod and on Martha's Vineyard. ComEnergy is an exempt holding company under the Public Utility Holding Company Act of 1935. ComEnergy's other subsidiaries, affiliates of Commonwealth, include Cambridge Electric Light Company ("Cambridge"), Canal Electric Company ("Canal"),¹ Commonwealth Gas Company and Commonwealth Energy Service Company ("ComEnergy Service"). Commonwealth operates several small oil/gas-fired generating units and has contractual interests in Pilgrim 1, Yankee Rowe and Point Lepreau nuclear units. The Company also has contractual interests in Canal Unit 1 and Canal Unit 2, two large oil-fired units operated by the Company's affiliate, Canal.

¹ The electric operating subsidiaries are referred to collectively as "ComElectric."

Pursuant to notice duly issued, a public hearing on the Company's application was held on September 25, 1996, at the Department's offices in Boston. Notice of the hearing was published by the Company in the New Bedford Times, the Cape Cod Times and the Boston Globe. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it was proposing an adjustment to its fuel charge. The Company was also required to inform all intervenors of the date of the public hearing. The Attorney General of the Commonwealth ("Attorney General") intervened as of right in this proceeding pursuant to G.L. c. 12, § 11E.

At the hearing, the Company sponsored two witnesses: Charles R. Fox, Jr., senior rate analyst in rate administration at ComEnergy Service; and Michael R. Kirkwood, manager of power supply administration for ComElectric. Five exhibits were admitted into evidence: the prefiled testimony of Mr. Fox (Exh. CEC-1); schedules in support of Mr. Fox's testimony (Exh. CEC-2); bills and contracts for fuel oil supplies, purchased power, and transmission services for June, July and August 1996 (Exh. CEC-3); the prefiled testimony of Mr. Kirkwood (Exh. CEC-4); and schedules in support of Mr. Kirkwood's testimony (Exh. CEC-5).

II. PERFORMANCE REVIEW

The Company acknowledged that actual generating unit performances did not meet the targets established for the Company's performance programs for the performance year 1995-1996 (Tr. at 7). Pursuant to G.L. c. 164, § 94G, the Department has continued the hearings to

investigate the variance between the established targets and actual generating unit and system performance.

III. FUEL CHARGE

On September 18, 1996, the Company filed with the Department its proposed fuel charge and QF power purchase rates for October, November and December 1996. For these billing months, the Company proposes a fuel charge of \$0.06500 per kilowatt hour ("KWH") pursuant to the fuel charge stabilization plan ("stabilization plan") approved in Commonwealth Electric Company, D.P.U. 94-3A (1994) (Exh. CEC-1, at 8). Any variations from the fuel charge of \$0.06500 per KWH are reconciled both annually and as part of the four-year reconciliation under the stabilization plan.² D.P.U. 94-3A at 5.

According to the Company's projections, if the stabilization plan were not in place, the fuel charge for the fourth quarter would increase (Exh. CEC-1, at 8). Commonwealth states that the increase is primarily caused by an estimated underrecovery of \$660,710 at the end of the third quarter that would be collected in the fourth quarter, combined with a projected decrease in sales of 54,843,000 KWH (id. at 7).

According to the Company, the most significant reasons for the underrecovery are (1) an extended outage at Canal 2 that caused it to purchase more expensive energy from New England

² On April 1, 1994, the Department approved a fuel charge stabilization plan submitted jointly by the Company and the Attorney General. D.P.U. 94-3A at 12. Among other things, the plan permits the Company to establish a target maximum fuel charge rate of \$0.06500 per KWH for 1994 through 1996 (and \$0.06500 to \$0.06700 in 1997) by deferring any unrecovered fuel-related costs for those four years and recovering them over the following six years along with carrying charges. Id. at 4. The Company is prohibited from deferring more than \$16 million per year or \$40 million over the four-year period. Id. at 5.

Power Pool, and (2) greater availability than was projected from some QFs that the Company must purchase power from when it is available (Tr. at 30, 40-41). The Company explained that Canal 2 was out of service to convert the unit to burn gas and to install a new control system (id. at 30). The Company further stated that the planned outage was extended approximately three weeks because it took longer than projected to ensure that the unit's control panel was operational (id.).

Lastly, the Company states that the fourth quarter is historically a valley sales period due to moderate weather conditions (Exh. CEC-1, at 7). Therefore, the billed sales for the October-December 1996 quarter are projected to be less than the billed sales for the third quarter (id.). The Company explained that total costs spread over a lesser number of KWH would have the effect of increasing the fuel charge if there were no stabilization plan (id. at 7-8).

Pursuant to the stabilization plan, the Company will maintain a levelized fuel charge rate of \$0.06500 (id. at 8). Accordingly, the Company will increase the amount in the stabilization deferral account by \$3,520,000 in order to maintain the Company's fuel charge decimal at \$0.06500 per KWH (id.). The Company estimates that the total amount deferred,³ excluding carrying charges, from April 1994 through December 1996, is \$18,175,917 (Tr. at 46-47; Exh. CEC-2, at Sch. 2-A).

IV. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for

³ At the end of the third quarter of 1996, the deferral account balance stood at negative \$3,432,182 (Exh. CEC-2, Sch. 2-A). In other words, the Company may defer up to \$19,432,182 through 1996, given the maximum annual deferral of \$16 million pursuant to the terms of the stabilization plan. (D.P.U. 94-3A at 5).

short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to 220 C.M.R. § 8.04(4), the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b). The Company is also required, under 220 C.M.R. § 8.04(6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 220 C.M.R. § 8.04(6)(a).

The Company proposed the following standard rates to be paid to QFs during October, November and December 1996:

Energy Rates By Voltage Level (Dollars/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Primary	0.02981	0.02301	0.02403
Secondary	0.03095	0.02394	0.02499

(Exh. CEC-4, Sch. 1, at 1).

<u>Voltage Level</u>	<u>Short-Run Capacity Rates (Dollars/KWH)</u>
Primary	0.04879
Secondary	0.04962

(id. at 9).

V. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of October, November and December 1996, shall be \$0.06500 per KWH. (The calculation of the fuel charge is shown in Table 1 attached to this Order.)

2. that the QF power purchase rates for October, November and December 1996, shall be the rates set forth in Section V above.

3. that the hearing will be continued for further investigation of the variance between the established targets and actual generating unit and system performance for 1995-1996.

VI. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Commonwealth Electric Company is authorized to put into effect a quarterly fuel charge of \$0.06500 per KWH pursuant to the fuel charge stabilization settlement approved in Commonwealth Electric Company, D.P.U. 94-3A (1994) and as set forth in Section V, Finding 1 of this Order for bills issued pursuant to meter readings for the billing months of October, November and December 1996, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of October, November and December 1996, shall be those set forth in the Table on Page 6 of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That the hearing will be continued for further investigation of the variance between the established targets and actual generating unit and system performance for 1995-1996; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G (a) and (b), fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges.

By Order of the Department,

John B. Howe, Chairman

Janet Gail Besser, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).